## Appendix
## Marked-Up Version Pursuant to 37 C.F.R. § 1.121(b)(1)(iii)

In the specification:

Please replace the paragraph beginning on page 7, line 19, with the following paragraph:

A subscriber station (Sub 1, Sub 2, Sub 3 and Sub 4 of Fig. 1) has hardware and software to query indicative quotes, request binding quotes, and send orders to Exchanges. In one embodiment, the subscriber station consists of a Windows-based PC running an application that allows users to login, select symbols, and receive quotes for those symbols. Other embodiments include hand held computing devices that run the applications. Alternatively, the hand-held device acts as a wireless data terminal that communicates with the PC running the applications. As one of ordinary skill can appreciate, further alternatives hardware and software arrangements include hand-held devices and PC workstations, wherein the software functionality is appropriately divided between the two devices.

Please replace the paragraph beginning on page 8, line 33, with the following paragraph:

In one embodiment, when a user wishes to enter an order against one of the indicative[th eindicative] quotes, double clicking the symbol pulls up an order entry window as shown in Figure 3D (or Figure 3E in the case of a straddle). Pressing the "sell now" button simultaneously informs the appropriate market maker of the request for a binding quote and submits the corresponding order to the exchange.

Please replace the paragraph beginning on page 9, line 18, with the following paragraph:

Thus when a user wishes to enter an order against one of the indicative quotes, the user preferably double-clicks the symbol (or by clicking on the bid or the ask price) in the display of Figure 3A to activate a Request For Quote (RFQ) window as shown in Figure 3C. The quantity may be left blank, or a value may be specified. Clicking send button sends the RFQ[RFC] simultaneously to the Exchanges, which effectively may result in sending the RFC to 30,000 terminals, and also sends the RFQ[RFC] to the LD network to the LD market makers. The

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RFQ[RFC] sent to the exchange preferably conforms to existing RFQ[RFC] exchange formats and would typically include only the contract of interest. In contrast, the RFQ[RFC] sent to the LD market makers preferably includes the contract of interest, the indicated price and the indicated quantity. Alternatively, the LD RFQ may also include additional parameters such as what side the requested quote is for (buy/sell). Upon sending the RFQ, the RFQ window of Figure 3C is replaced with the Order Entry Screen of Figure 3D (or Figure 3E in the case of a straddle).

Please replace the paragraph beginning on page 11, line 8, with the following paragraph – Please note that the underlining of MM3 and MM4 in the text below is not an addition, but that it appears underlined in the original text:

With respect to Figure 2B, the market maker's involvement[involvment] is depicted in flow diagram 250. At step 260, the market maker receives an indication of interest from a subscriber and responds by providing one or more indicative quotes. Upon receipt of an RFQ, which is interpreted as a request for a binding quote in step 270, the market makers, for example MM3 and MM4, may respond by selectively sending a binding quote to an Exchange, or directly to the LD. In this way the network provides for electronic communication between market maker, subscriber and Exchanges with the assistance of a network managing station LD so that a subscriber can query market maker, initiation indications to trade, receive responses to indications to trade, issue binding quotes and forward binding quotes to an Exchange. The subscriber can send orders to an Exchange that can be electronically matched and cleared by an Exchange. In the alternative, the network managing station may match binding quotes and orders and clear the trades at an Exchange.

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Please replace the paragraph beginning on page 13, line 5, with the following paragraph:

The "Sheets" screen of Figure 4A allows the market maker to calculate implied volatilities, Bid, Fair and Ask values and the Quantity, given a few inputs. The market maker may select an option from the drop-down box in the upper left corner (Future and Days Left boxes fill in automatically once option is chosen). To plot a new curve, the market maker enters strikes and prices for the option chosen. The table at the top of the Sheets window is used to enter strikes in decimal format. Corresponding prices are entered using tick format. The put price is used[sued] for the ATM strike. Other fields for the option chosen are entered. The slope is defined as (change in implied volatility)/(change in strike); .15 is a typical starting value for Call Slope and Put Slope which determine the curve's shape in the wings.

In the claims:
Please add new claims 9-20 as shown below.

1    9. (New)  A method for electronically trading derivative instruments comprising
2    the steps of:
3                    receiving at least one non-binding quote, wherein the non-
4            binding quote provides an indication of a willingness to trade a
5            corresponding derivative;
6                    transmitting the best of the at least one non-binding quote to
7            market participants over a communication network;
8                    receiving a request for binding quote for at least one
9            derivative instrument from market participants over a
10           communication network;
11                   transmitting the request for binding quote over a
12           communication network;

13      receiving binding quotes in response to the transmitted

14     request for binding quote; and,

15      transmitting the binding quotes to the market participants.

1 10. (New) The method of claim 9, wherein the request for binding quote

2 includes information identifying the derivative of interest, and a requested

3 quantity.

1 11. (New) The method of claim 9, wherein the non-binding quotes are

2 obtained from a matrix of bid and ask prices at different volatilities and different

3 underlying prices.

1 12. (New) The method of claim 9, wherein the step of transmitting the best of

2 the at least one non-binding quote comprises aggregating the volume associated

3 with the non-binding quotes having the best bid and ask prices and transmitting

4 the aggregate as the best non-binding quote.

1 13. (New) The method of claim 9, further comprising the step of matching

2 binding quotes and orders.

1 14. (New) The method of claim 13, wherein the matching is performed on a

2 price-time priority basis.

1 15. (New) A method for electronically trading derivative instruments

2 comprising the steps of:

3      receiving and displaying indicative quote information for at

4     least one derivative, wherein the indicative quote information

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| 5 | comprises at least the best bid and ask non-binding prices for the at |
| 6 | least one derivative instrument; |
| 7 | transmitting a request for quote for one of the at least one |
| 8 | derivative instrument; |
| 9 | receiving a binding quote for the at least one derivative |
| 10 | instrument. |

1    16. (New)     The method of claim 15 wherein the indicative quote information
2    further comprises an associated quantity.

1    17. (New)     The method of claim 15 wherein the step of transmitting a request
2    for quote is performed by selecting the indicative quote on a display.

1    18. (New)     The method of claim 15 wherein the step of receiving a binding
2    quote for the at least one derivative instrument comprises receiving the binding
3    quote via an intermediate exchange.

1    19. (New)     The method of claim 15 further comprising the step of displaying
2    the binding quote.

1    20. (New)     The method of claim 15 further comprising the step of transmitting
2    an order in response to receiving the binding quote.